



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

TELECOMMUNICATIONS

ORDER OF APPROVAL

IN THE MATTER OF THE VERIFIED)
JOINT PETITION OF XO NEW JERSEY)
INC., ALLEGIANCE TELECOM OF NEW)
JERSEY, INC. AND XO)
COMMUNICATIONS SERVICES, INC. FOR)
APPROVAL OF AN INTERNAL)
CORPORATE REORGANIZATION AND)
FOR APPROVAL AS NECESSARY, OF)
RELATED TRANSACTIONS)

DOCKET NO. TM04070686

(SERVICE LIST ATTACHED)

BY THE BOARD:

On July 14, 2004, XO New Jersey, Inc. (XO NJ), Allegiance Telecom of New Jersey, Inc. (ALGX NJ), and XO Communications Services, Inc. (XO Communications) (collectively Petitioners or XO Subsidiaries), all subsidiaries of XO Communications, Inc. (XO), the ultimate parent corporation, filed a Petition with the Board of Public Utilities (Board) for Board approval for an internal corporate reorganization whereby the existing operating subsidiaries of XO in New Jersey will be merged into a single operating subsidiary, XO Communications. Following the reorganization, ALGNX NJ will surrender its authority and current ALGX NJ and XO NJ customers will continue to receive service under the same rates, terms and conditions.

BACKGROUND

XO, the parent of the three Petitioners, is a Delaware corporation with its principal office located in Reston, Virginia. XO is authorized by the Federal Communications Commission to provide interstate and international services and through one or more of its subsidiaries is authorized to provide competitive local exchange service in 48 states. In New Jersey, XO NJ (formally known as NEXTLINK New Jersey Inc.) is authorized to provide local exchange and interexchange telecommunications services. See Order I/M/O the Petition of Nextlink New Jersey Inc. for the Approval of an Initial Tariff and Related Relief, and Authority to Provide Local Exchange and Inter-Exchange Telecommunications Services throughout New Jersey, Docket No. TE98010009, dated July 30, 1998. ALGX NJ is a corporation organized under the laws of the State of Delaware and is authorized to provide local exchange and interexchange telecommunications services. See Order I/M/O the Petition for an Order Authorizing Allegiance Telecom of New Jersey Inc., to Provide Local Exchange and Inter-Exchange Telecommunications Services throughout New Jersey, Docket No. TE98070470, dated

October 9, 1998. Recently the Board approved the transfer of control of ALGX NJ to XO. See Order I/M/O the Verified Petition for Approval of the Transfer of Control of Allegiance Telecom of New Jersey, Inc. Debtor-In Possession to XO Communications, Docket No. TM04020110, dated April 28, 2004. Accordingly, ALGX NJ is now a direct, wholly owned subsidiary of XO. XO Communications is also a direct wholly owned subsidiary of XO. The Petition states that XO Communications Services, Inc. became the new name of XO Domestic Holdings, Inc. on June 29, 2004. XO Communications had no previous operations.

According to the Petition, the Petitioners are planning a reorganization and consolidation of the XO Subsidiaries into a single operating entity. The Petitioners propose to transfer XO NJ's intrastate customer base, tariff and authorization to provide telecommunications services to XO Communications. After the merger, XO NJ will cease to exist and XO Communications will assume all of XO NJ's assets and operations and will provide telecommunications services to XO NJ's customers pursuant to XO NJ's tariff, amended with the new name XO Communications. As part of the merger, the telecommunications authorization currently held by XO NJ will be transferred to XO Communications. Petitioners point out that because XO NJ and XO Communications are managed by the same employees, day-to-day operations will be provided by the same team of consumer representatives.

The Petitioners also propose to merge ALGX NJ with and into XO Communications and the surrender of ALGX NJ's authorization and tariff upon the completion of the customer transfer. As the Petition states, current ALGX NJ end users will continue to receive service under the same rates, terms and conditions. The Petition also states that in accordance with Federal Communications Commission requirements, written notice will be sent to affected customers informing them of the proposed transaction and giving them the an opportunity to switch to another service provider. Petitioners will also include the Allegiance name in addition to the XO name on customer bills for the existing ALGX NJ customers for a few months to help prevent customer confusion.

According to the Petition, the transaction will provide significant reductions in legal, accounting, and tax administrative burdens and will simplify the XO companies' corporate structure, eliminating administrative redundancy and improving the companies' efficiency thereby enhancing the company's ability to compete in New Jersey and elsewhere. The Petition states that although the reorganization will permit some cost savings, none of the Petitioner's employees are expected to be adversely affected by the reorganization.

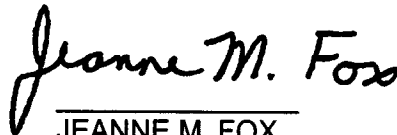
FINDINGS AND CONCLUSIONS

After a thorough review of the Petition and all related documents, the Board is convinced that, with regard to the provision of service, there will be no negative impact on service to New Jersey customers.

Accordingly, after careful review of this matter, the Board FINDS that the transactions will have no negative impact on competition, on the rates of current customers, or on employees. The Board also FINDS that the proposed transactions will have no negative impact on the provision of safe, adequate and proper service. Therefore, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that the action proposed to be taken by Petitioners is in accordance with law and in the public interest. The Board also FINDS that in accordance with N.J.S.A. 48:2-59 and 48:2-60 and N.J.S.A. 52:27E-61 and 52:27E-62, XO Communications is subject to an annual assessment by both the Board and Division of Ratepayer Advocate, respectively, and that XO Communications is also responsible for each of the acquired utilities' outstanding assessment liabilities. The Board HEREBY APPROVES the request by Petitioners for the transactions and for the transfer of authority. The Board HEREBY ORDERS that the Petitioners shall promptly notify the Board of the closing of the proposed Transactions.

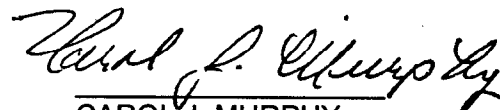
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BOARD OF PUBLIC UTILITIES
BY:



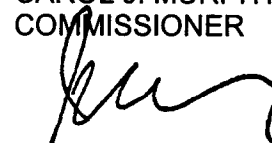
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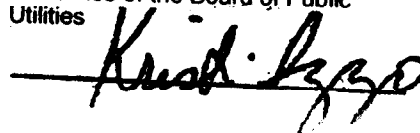


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



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